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Cuba: Implications of Dependence on Soviet Oil (U)

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Cuba: Implications of Dependence on Soviet Oil

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Overview

For Cuba, like other Third World countries, increased energy use is critical to modernization. Havana faces particular economic and political complications in the absence of primary energy sources at home and the heavy share that foreign-financed oil takes up in its import bill and development costs.

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The Cuban economy has become almost totally dependent upon Soviet-subsidized oil deliveries. This condition—which gives Moscow strong leverage on the Castro regime—is likely to continue at least to the end of this century.

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Soviet-supplied petroleum provides more than 75 percent of the island's total energy consumption. Cuba has no large oil deposits and little hope of finding any; domestic production amounts to less than 5 percent of total petroleum requirements.

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Havana has no realistic source of subsidized imports other than the USSR. Despite Cuba's good relations with several oil-producing countries, none is likely to match the Soviet price, which in 1980 was only about 40 percent of average OPEC crude prices. Although Moscow apparently intends to increase moderately the amount of oil it supplies to Cuba over the next five years, deliveries probably will fall short of Havana's needs for meeting its growth targets.

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The Castro regime, moreover, cannot afford to purchase substantial amounts of oil on the world market. Cuba's estimated total hard currency earnings for 1981 would be sufficient to finance only half of its current oil consumption.

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Other possible energy sources have little promise. The island's only significant nonpetroleum energy source, bagasse—a byproduct of sugarcane—provides about 18 percent of Cuba's energy needs, but because of its bulk it can be used only in sugar-harvest activities. There is no hydroelectric potential, minimal coal deposits, or other energy source with short-term potential.

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Long-term approaches such as gasohol or coal-oil mixtures are feasible but could not become effective before the 1990s and would only moderately reduce the country's oil dependence. Even the construction of nuclear power plants—preliminary work on one began earlier this year—would not have a significant impact during this century.

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Cuba's dependence on the USSR for its petroleum is aggravated by the nonconsumer orientation of Havana's economy. Even a 10-percent reduction in petroleum supplies would reduce economic activity. This vulnerability is increased by limited oil-storage capacity; the island's storage tanks can hold only a two-month supply, making stockpiling for long-term contingencies nearly impossible. 25X1

The Castro regime has little hope of achieving sustained economic growth during the 1980s and possibly longer. Future economic expansion requires not only the continuation of subsidized petroleum imports, but a steady increase in the amount of those imports. Industrial growth and electric-power generation are the most vulnerable. Havana's efforts to expand its import substitution industries and construction sector also are likely to experience setbacks. Overall agricultural production will not be affected seriously, but plans for increased agricultural mechanization may have to be postponed. 25X1

In the interim, the already weak economy would be hard hit by a major shortfall in petroleum deliveries no matter what the cause. Lacking any meaningful conservation options, a petroleum shortage would force Cuba to curtail economic activity. In severe shortages or a total cutoff, the island could operate at reduced economic activity for perhaps two months by stretching out reserves. Over a longer period, however, modern economic activity would virtually cease and the nation would concentrate on subsistence 25X1

The Castro regime's dependence on Soviet-subsidized oil also provides Moscow with what amounts to substantial leverage that can be exerted on major Cuban foreign policy decisions. Soviet influence on both internal and external matters is so great that Castro has cautioned fellow revolutionary chiefs of state to avoid policies that would lead to such dependency on the USSR. At the same time, the Cuban leader is obliged to seek new ways to ingratiate himself with Moscow to extract even greater levels of economic assistance to stay abreast of mounting Cuban needs. His support for the Warsaw Pact's invasion of Czechoslovakia in 1968, his somewhat belated backing of the Soviet invasion of Afghanistan in 1979, and his justification last year for East European intervention—if needed—in Poland are examples of how the need for Moscow's approval has cost Castro heavily in political terms. 25X1

At the same time, Soviet subsidies are offset by the role Castro plays in supporting Moscow's objectives in the Third World. Castro undoubtedly will continue providing support for revolutionary insurgent movements in Latin America and Africa. He also will continue providing military support to leftist governments such as Angola, Ethiopia, and Nicaragua. If necessary, he would be willing to increase the Cuban commitment to these regimes. The Cuban leader recognizes that, by virtue of his Third World credentials, he can often accomplish some of the objectives he shares with Moscow more easily than the Soviets themselves. 25X1

He will also persist in his decade-long drive to expand Cuba's international contacts and influence, focusing particularly on oil-producing countries, partly to serve Soviet designs and partly to develop contacts that could prove useful should Soviet oil supplies be reduced. His relationship with Moscow, of course, dictates that there be no amicable relationship with the United States and this—if Castro's own bitterly anti-US predisposition were not enough—means that hostility will remain the basic ingredient of the Castro regime's attitude toward Washington. 25X1